

17th Fiscal Period Asset Management Report

Mitsui Fudosan Logistics Park Inc.

6-8-7 Ginza, Chuo-ku, Tokyo

From: August 1, 2024
To: October 31, 2024

Mitsui Fudosan Logistics Park Inc.
Financial Summary

Fiscal period		17th period (From August 1, 2024 to October 31, 2024)	16th period (From February 1, 2024 to July 31, 2024)	15th period (From August 1, 2023 to January 31, 2024)	14th period (From February 1, 2023 to July 31, 2023)	13th period (From August 1, 2022 to January 31, 2023)
Operating revenues	(millions of yen)	6,498	12,413	11,845	11,478	10,960
[Of which: Property leasing business revenues]	(millions of yen)	[6,498]	[12,413]	[11,845]	[11,478]	[10,960]
Operating expenses	(millions of yen)	4,128	7,592	7,106	6,874	6,455
[Of which: Property leasing business expenses]	(millions of yen)	[3,295]	[6,202]	[5,849]	[5,652]	[5,271]
Operating income	(millions of yen)	2,369	4,821	4,738	4,604	4,504
Ordinary income	(millions of yen)	2,127	4,360	4,407	4,261	4,206
Net income	(millions of yen)	2,126	4,359	4,405	4,260	4,205
Total assets	(millions of yen)	385,994	386,162	361,107	350,013	336,551
[Period-on-period change] (Note 8)	(%)	[-]	[6.9]	[3.2]	[4.0]	[(0.7)]
Net assets	(millions of yen)	213,255	216,730	217,781	203,652	204,230
[Period-on-period change] (Note 8)	(%)	[-]	[(0.5)]	[6.9]	[(0.3)]	[(0.3)]
Interest-bearing debt	(millions of yen)	159,700	156,700	131,300	135,200	120,700
Unitholders' capital, net (Note 3)	(millions of yen)	211,128	212,371	213,374	199,391	200,025
Total number of investment units issued and outstanding	(units)	608,000	608,000	608,000	576,000	576,000
Net assets per unit (Note 9)	(yen)	87,687	89,116	358,192	353,562	354,567
Net income per unit (Notes 4, 9)	(yen)	874	1,792	7,264	7,396	7,300
Total amount of distributions	(millions of yen)	2,831	5,602	5,409	5,071	4,838
Distribution per unit	(yen)	4,657	9,214	8,898	8,804	8,401
[Of which: Distribution of earnings per unit]	(yen)	[3,498]	[7,170]	[7,247]	[7,396]	[7,301]
[Of which: Allowance for temporary difference adjustment per unit]	(yen)	[23]	[47]	[37]	[11]	[-]
[Of which: Other distribution in excess of retained earnings per unit]	(yen)	[1,136]	[1,997]	[1,614]	[1,397]	[1,100]
Ratio of ordinary income to total assets (Note 5)	(%)	0.6	1.2	1.2	1.2	1.2
[Annualized]	(%)	[2.2]	[2.3]	[2.5]	[2.5]	[2.5]
Return on equity (Note 5)	(%)	1.0	2.0	2.1	2.1	2.1
[Annualized]	(%)	[3.9]	[4.0]	[4.1]	[4.2]	[4.1]
Equity ratio at end of period (Note 5)	(%)	55.2	56.1	60.3	58.2	60.7
[Period-on-period change] (Note 8)		[-]	[(4.2)]	[2.1]	[(2.5)]	[0.3]
Payout ratio (Note 5)	(%)	100.0	100.0	100.0	100.0	100.0
Other reference information						
Number of days of asset management during period	(days)	92	182	184	181	184
Number of investment properties at end of period	(properties)	30	30	27	25	24
Occupancy rate at end of period (Note 6)	(%)	100.0	100.0	99.8	99.8	99.8
Depreciation and amortization (Note 7)	(millions of yen)	1,652	3,296	3,108	2,984	2,707
Capital expenditures	(millions of yen)	62	352	168	194	227
Net operating income (NOI) from property leasing (Note 5)	(millions of yen)	4,854	9,507	9,104	8,810	8,396
Funds from operations (FFO) (Note 5)	(millions of yen)	3,778	7,656	7,514	7,244	6,913
FFO per unit (Notes 5, 9)	(yen)	1,553	3,148	12,359	12,578	12,002

Fiscal period		17th period (From August 1, 2024 to October 31, 2024)	16th period (From February 1, 2024 to July 31, 2024)	15th period (From August 1, 2023 to January 31, 2024)	14th period (From February 1, 2023 to July 31, 2023)	13th period (From August 1, 2022 to January 31, 2023)
Ratio of interest-bearing debt to total assets at end of period (LTV ratio) (Note 5)	(%)	41.4	40.6	36.4	38.6	35.9

(Note 1) By a resolution of the General Meeting of Unitholders held on September 30, 2024, Mitsui Fudosan Logistics Park Inc. (“MFLP-REIT”) changed its operating period of the 17th period from the six months from August 1, 2024 to January 31, 2025 to the three months from August 1, 2024 to October 31, 2024. The operating period of the 18th period was also changed to the nine months from November 1, 2024 to July 31, 2025.

(Note 2) Unless otherwise specified, any numerical figures are rounded down to the nearest specified unit and percentage figures are rounded to the first decimal place.

(Note 3) “Unitholders’ capital, net” is the amount of “Unitholders’ capital” less “Deduction from unitholders’ capital.”

(Note 4) “Net income per unit” is calculated by dividing net income by the daily weighted average number of investment units. Diluted net income per unit is not stated because there are no dilutive investment units.

(Note 5) The following formulas are used in calculations.

Ratio of ordinary income to total assets	$\text{Ordinary income} \div \{(\text{Total assets at beginning of period} + \text{Total assets at end of period}) \div 2\} \times 100$
Return on equity	$\text{Net income} \div \{(\text{Net assets at beginning of period} + \text{Net assets at end of period}) \div 2\} \times 100$
Equity ratio at end of period	$\text{Net assets at end of period} \div \text{Total assets at end of period} \times 100$
Payout ratio	Distribution per unit (excluding distribution in excess of retained earnings) \div Net income per unit $\times 100$ (rounded to the first decimal place) The payout ratio for the 15th fiscal period is calculated by the following formula, because new investment units were issued. $\text{Total amount of distribution (excluding distribution in excess of retained earnings)} \div \text{Net income} \times 100$
Net operating income (NOI) from property leasing	Property leasing business revenues – Property leasing business expenses + Depreciation and amortization
Funds from operations (FFO)	Net income + Depreciation and amortization of rental properties + Loss on retirement of non-current assets \pm Gain (loss) on sales of real estate properties
FFO per unit	$\text{FFO} \div \text{Total number of investment units issued and outstanding}$
Ratio of interest-bearing debt to total assets at end of period (LTV ratio)	$\text{Interest-bearing debt at end of period} \div \text{Total assets at end of period} \times 100$

(Note 6) “Occupancy rate at end of period” is leased area of the building expressed as a percentage of leasable area of the building of each real estate in trust on each lease agreement concluded for each property as at the end of the fiscal period, rounded to the first decimal place.

(Note 7) “Depreciation and amortization” is depreciation and amortization of investment and rental property.

(Note 8) The percentages of period-to-period changes for the 17th period were not shown because the 17th period was the three months from August 1, 2024 to October 31, 2024 while the 16th period was the six months from February 1, 2024 to July 31, 2024.

(Note 9) MFLP-REIT split one investment unit into four investment units with October 31, 2024 as the record date and November 1, 2024 as the effective date. Net assets per share and FFO per share are calculated based on the assumption that the split of investment units (the “Split of Investment Units”) had been implemented at the beginning of the 16th period.

Mitsui Fudosan Logistics Park Inc.
Balance Sheets

(Thousands of yen)

	17th period (As of October 31, 2024)	16th period (As of July 31, 2024)
Assets		
Current assets		
Cash and deposits (Notes 3 and 4)	¥ 887,846	¥ 381,786
Cash and deposits in trust (Notes 3 and 4)	9,071,842	8,238,051
Operating accounts receivable	379,454	331,060
Prepaid expenses	122,583	108,434
Consumption taxes receivable	512,855	474,920
Other	6,083	3,521
Total current assets	<u>10,980,665</u>	<u>9,537,774</u>
Non-current assets		
Property and equipment (Note 5)		
Buildings in trust	204,986,874	204,927,088
Structures in trust	6,456,763	6,456,763
Machinery and equipment in trust	4,318,951	4,318,951
Vehicles and transport equipment in trust	4,274	4,274
Tools, furniture and fixtures in trust	139,637	136,629
Land in trust	187,125,473	187,125,473
Construction in progress in trust	20,048	8,540
Less: accumulated depreciation	(30,697,258)	(29,057,835)
Total property and equipment	<u>372,354,762</u>	<u>373,919,887</u>
Intangible assets		
Land leasehold rights in trust	2,290,657	2,303,362
Software	378	465
Total intangible assets	<u>2,291,036</u>	<u>2,303,827</u>
Investments and other assets		
Lease and guarantee deposits	68,468	68,468
Long-term prepaid expenses	245,460	267,904
Deferred tax assets (Note 9)	12	17
Other	1,050	1,050
Total investments and other assets	<u>314,991</u>	<u>337,440</u>
Total non-current assets	<u>374,960,790</u>	<u>376,561,155</u>
Deferred assets		
Investment unit issuance expenses (Note 2)	22,368	31,617
Investment corporation bond issuance costs (Note 2)	30,676	31,779
Total deferred assets	<u>53,045</u>	<u>63,397</u>
Total assets	<u>¥ 385,994,501</u>	<u>¥ 386,162,327</u>

Mitsui Fudosan Logistics Park Inc.
Balance Sheets

	(Thousands of yen)	
	17th period (As of October 31, 2024)	16th period (As of July 31, 2024)
Liabilities		
Current liabilities		
Operating accounts payable	¥ 802,546	¥ 604,645
Short-term loans payable (Notes 4 and 7)	5,000,000	2,000,000
Current portion of long-term loans payable (Notes 4 and 7)	5,700,000	6,600,000
Accounts payable	903,456	1,423,997
Accrued expenses	212,312	12,664
Income taxes payable	427	973
Accrued consumption taxes	460,232	-
Advances received	2,099,465	2,098,674
Other	1,885	1,237
Total current liabilities	<u>15,180,326</u>	<u>12,742,192</u>
Non-current liabilities		
Investment corporation bonds (Notes 4 and 7)	5,000,000	5,000,000
Long-term loans payable (Notes 4 and 7)	144,000,000	143,100,000
Tenant leasehold and security deposits in trust (Note 4)	8,393,851	8,425,098
Asset retirement obligations	159,635	158,717
Other	5,294	5,523
Total non-current liabilities	<u>157,558,781</u>	<u>156,689,339</u>
Total liabilities	<u>172,739,108</u>	<u>169,431,531</u>
Net assets		
Unitholders' equity		
Unitholders' capital	218,093,898	218,093,898
Units authorized: 8,000,000 units as of October 31, 2024 and July 31, 2024		
Units issued and outstanding: 608,000 units as of October 31, 2024 and July 31, 2024		
Deduction from unitholders' capital		
Allowance for temporary difference adjustments (Note 6)	(57,408)	(28,832)
Other deduction from unitholders' capital	(6,908,147)	(5,693,971)
Total deduction from unitholders' capital	<u>(6,965,555)</u>	<u>(5,722,803)</u>
Unitholders' capital (net)	<u>211,128,342</u>	<u>212,371,094</u>
Retained earnings	<u>2,127,050</u>	<u>4,359,700</u>
Total unitholders' equity	<u>213,255,393</u>	<u>216,730,795</u>
Total net assets (Notes 6 and 10)	<u>213,255,393</u>	<u>216,730,795</u>
Total liabilities and net assets	<u>¥ 385,994,501</u>	<u>¥ 386,162,327</u>

The accompanying notes are an integral part of these financial statements.

Mitsui Fudosan Logistics Park Inc.
Statements of Income

	(Thousands of yen)			
	17th period (From August 1, 2024 to October 31, 2024)		16th period (From February 1, 2024 to July 31, 2024)	
Operating revenues				
Property-related revenues (Notes 8 and 14)	¥	5,960,877	¥	11,820,017
Other property-related revenues (Notes 8 and 14)		537,595		593,392
Total operating revenues		6,498,472		12,413,410
Operating expenses				
Property-related expenses (Note 8)		3,295,873		6,202,441
Asset management fee		563,479		1,140,767
Asset custody fee		9,654		18,055
Administrative service fees		16,359		23,998
Directors' compensations		3,300		6,600
Audit fee		12,000		11,000
Merger expenses		178,177		118,164
Other operating expenses		49,760		71,206
Total operating expenses		4,128,605		7,592,234
Operating income		2,369,866		4,821,176
Non-operating income				
Interest income		860		41
Insurance income		871		-
Reversal of distributions payable		790		784
Refund of property taxes		-		466
Other		0		0
Total non-operating income		2,522		1,292
Non-operating expenses				
Interest expense		221,691		411,599
Interest expenses on investment corporation bonds		7,914		15,570
Amortization of investment corporation bond issuance costs		1,102		2,181
Amortization of investment unit issuance expenses		9,249		18,499
Borrowing related expenses		2,756		6,415
Other		2,400		7,701
Total non-operating expenses		245,114		461,967
Income before income taxes		2,127,274		4,360,501
Income taxes - current		559		979
Income taxes - deferred		5		2
Total income taxes (Note 9)		564		982
Net income (Note 10)	¥	2,126,709	¥	4,359,519
Retained earnings brought forward		340		181
Unappropriated retained earnings (undisposed loss) (Note 6)	¥	2,127,050	¥	4,359,700

	(Yen)			
	17th period (From August 1, 2024 to October 31, 2024)		16th period (From February 1, 2024 to July 31, 2024)	
Net income per unit (Note 10)	¥	874	¥	7,170

* MFLP-REIT split one investment unit into four investment units with October 31, 2024 as the record date and November 1, 2024 as the effective date. Net income per unit is calculated based on the assumption that the Split of Investment Units had been implemented at the beginning of the 17th period.

The accompanying notes are an integral part of these financial statements.

Mitsui Fudosan Logistics Park Inc.
Statements of Changes in Net Assets

	Number of units	Unitholders' capital (thousands of yen)					Unitholders' capital (net)
		Unitholders' capital	Deduction from unitholders' capital				
			Allowance for temporary difference adjustments	Other deduction from unitholders' capital	Total deduction from unitholders' capital		
Balance as of February 1, 2024	608,000	¥218,093,898	¥ (6,336)	¥ (4,712,659)	¥ (4,718,995)	¥213,374,902	
Distribution in excess of retained earnings from allowance for temporary difference adjustments	-	-	(22,496)	-	(22,496)	(22,496)	
Other distribution in excess of retained earnings	-	-	-	(981,312)	(981,312)	(981,312)	
Dividends of earnings	-	-	-	-	-	-	
Net income	-	-	-	-	-	-	
Balance as of July 31, 2024	608,000	¥218,093,898	¥ (28,832)	¥ (5,693,971)	¥ (5,722,803)	¥212,371,094	
Distribution in excess of retained earnings from allowance for temporary difference adjustments	-	-	(28,576)	-	(28,576)	(28,576)	
Other distribution in excess of retained earnings	-	-	-	(1,214,176)	(1,214,176)	(1,214,176)	
Dividends of earnings	-	-	-	-	-	-	
Net income	-	-	-	-	-	-	
Balance as of October 31, 2024	608,000	¥218,093,898	¥ (57,408)	¥ (6,908,147)	¥ (6,965,555)	¥211,128,342	

	Retained earnings (thousands of yen)	Total net assets (thousands of yen)
Balance as of February 1, 2024	¥ 4,406,357	¥ 217,781,260
Distribution in excess of retained earnings from allowance for temporary difference adjustments	-	(22,496)
Other distribution in excess of retained earnings	-	(981,312)
Dividends of earnings	(4,406,176)	(4,406,176)
Net income	4,359,519	4,359,519
Balance as of July 31, 2024	¥ 4,359,700	¥ 216,730,795
Distribution in excess of retained earnings from allowance for temporary difference adjustments	-	(28,576)
Other distribution in excess of retained earnings	-	(1,214,176)
Dividends of earnings	(4,359,360)	(4,359,360)
Net income	2,126,709	2,126,709
Balance as of October 31, 2024	¥ 2,127,050	¥ 213,255,393

The accompanying notes are an integral part of these financial statements.

Mitsui Fudosan Logistics Park Inc.
Statements of Cash Flows

	(Thousands of yen)	
	17th period (From August 1, 2024 to October 31, 2024)	16th period (From February 1, 2024 to July 31, 2024)
Cash flows from operating activities:		
Income before income taxes	¥ 2,127,274	¥ 4,360,501
Depreciation and amortization	1,652,217	3,297,082
Amortization of investment corporation bond issuance costs	1,102	2,181
Amortization of investment unit issuance expenses	9,249	18,499
Interest income	(860)	(41)
Interest expense	229,605	427,170
Insurance income	(871)	-
Decrease (increase) in operating accounts receivable	(47,522)	(272,320)
Decrease (increase) in prepaid expenses	(14,149)	(5,897)
Decrease (increase) in long-term prepaid expenses	22,443	26,716
Decrease (increase) in consumption taxes receivable	(37,935)	(474,920)
Increase (decrease) in accrued consumption taxes	460,232	(227,504)
Increase (decrease) in operating accounts payable	337,414	(241,153)
Increase (decrease) in accounts payable	(645,279)	70,929
Increase (decrease) in advances received	790	92,383
Other, net	(2,142)	(281)
Subtotal	<u>4,091,570</u>	<u>7,073,345</u>
Interest income received	860	41
Interest expense paid	(29,957)	(426,305)
Insurance income received	-	5,504
Income taxes paid	(1,104)	(1,029)
Net cash provided by (used in) operating activities	<u>4,061,368</u>	<u>6,651,557</u>
Cash flows from investing activities:		
Purchase of property and equipment in trust	(260,777)	(27,482,726)
Purchase of intangible assets in trust	-	(266,892)
Repayments of tenant leasehold and security deposits in trust	(48,030)	(52,159)
Proceeds from tenant leasehold and security deposits in trust	16,783	723,145
Payments of leasehold and guarantee deposits	-	(17,950)
Net cash provided by (used in) investing activities	<u>(292,024)</u>	<u>(27,096,583)</u>
Cash flows from financing activities:		
Proceeds from short-term loans payable	6,500,000	15,600,000
Repayments of short-term loans payable	(3,500,000)	(14,200,000)
Proceeds from long-term loans payable	3,000,000	30,600,000
Repayments of long-term loans payable	(3,000,000)	(6,600,000)
Proceeds from issuance of investment units	-	(1,003)
Payment of distribution of earnings	(4,186,383)	(4,405,645)
Payment of distribution in excess of retained earnings	(1,243,109)	(1,003,534)
Net cash provided by (used in) financing activities	<u>(2,429,493)</u>	<u>19,989,816</u>
Net increase (decrease) in cash and cash equivalents	<u>1,339,850</u>	<u>(455,209)</u>
Cash and cash equivalents at beginning of period	8,619,837	9,075,047
Cash and cash equivalents at end of period (Note 3)	¥ 9,959,688	¥ 8,619,837

The accompanying notes are an integral part of these financial statements.

Mitsui Fudosan Logistics Park Inc.

Notes to Financial Statements

1. Organization and Basis of Presentation

a. Organization

Mitsui Fudosan Logistics Park Inc. (“MFLP-REIT”), a Japanese real estate investment corporation, was established on March 4, 2016 under the Act on Investment Trusts and Investment Corporations of Japan (Act No. 198 of 1951, including subsequent amendments; the “Investment Trust Act”), by Mitsui Fudosan Logistics REIT Management Co., Ltd. (the “Asset Management Company”) as the organizer with investments in capital of ¥300 million (600 investment units). Registration with the Kanto Local Finance Bureau of the Ministry of Finance of Japan was completed on March 25, 2016. The investment units were listed on the Real Estate Investment Trust Securities Market (J-REIT section) of Tokyo Stock Exchange, Inc. on August 2, 2016 (Securities Code: 3471).

MFLP-REIT started acquisition of properties on August 2, 2016. With Mitsui Fudosan Co., Ltd. (“Mitsui Fudosan”) as a sponsor, MFLP-REIT invests primarily in logistics facilities with a particular focus on MFLP facilities, that is, leading-edge logistics facilities with Mitsui Fudosan quality. This focus has been chosen in light of MFLP-REIT’s goal of establishing a portfolio that emphasizes location, quality and balance.

As of October 31, 2024, MFLP-REIT held 30 properties with the total acquisition price of ¥399.7 billion.

On November 1, 2024, MFLP-REIT conducted an absorption-type merger whereby MFLP-REIT is the surviving corporation, and Advance Logistics Investment Corporation (“ADL”) is the dissolving corporation. For more information, please refer to Note 16. “Significant Subsequent Events.”

b. Basis of presentation

The accompanying financial statements of MFLP-REIT have been prepared in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), including provisions set forth in the Financial Instruments and Exchange Act of Japan, the Investment Trust Act and the related regulations, which are different in certain respects as to application and disclosure requirements of the International Financial Reporting Standards.

The accompanying financial statements are based on the financial statements of MFLP-REIT, which were prepared in accordance with Japanese GAAP and were presented in its Asset Management Report published for Japanese investors. In preparing the accompanying financial statements, certain reclassifications and modifications have been made to the financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

MFLP-REIT’s fiscal period was a six-month period, which ends at the end of January and July of each year. By a resolution of the General Meeting of Unitholders held on September 30, 2024, MFLP-REIT changed its operating period of the 17th period from the six months from August 1, 2024 to January 31, 2025 to the three months from August 1, 2024 to October 31, 2024. The operating period of the 18th period was also changed to the nine months from November 1, 2024 to July 31, 2025.

MFLP-REIT does not prepare consolidated financial statements as it has no subsidiaries.

Unless otherwise specified, amounts have been rounded down to the nearest thousand yen in the accompanying financial statements and the notes thereto, as permitted by the Financial Instruments and Exchange Act of Japan. As a result, the totals shown in the financial statements and notes thereto do not necessarily agree with the sum of the individual amounts.

2. Summary of Significant Accounting Policies

a. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and cash in trust, readily-available bank deposits, readily-available bank deposits in trust and short-term investments that are readily convertible to cash and realizable with a maturity of three months or less when purchased and that are subject to an insignificant risk of changes in value.

b. Property and equipment

Property and equipment (including those in trust) are stated at cost, which includes the original purchase price and related acquisition costs and expenses. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives. The useful lives of principal property and equipment are as follows:

Buildings:	2 to 59 years
Structures:	8 to 50 years
Machinery and equipment:	8 to 17 years
Vehicles:	4 to 7 years
Tools, furniture and fixtures:	3 to 15 years

c. Intangible assets (including those in trust)

Intangible assets are stated at cost, which includes the original purchase price and related acquisition costs and expenses. Amortization of intangible assets is calculated using the straight-line method over the estimated useful lives. Amortization of software for internal use is calculated using the straight-line method over the estimated useful lives of five years at MFLP-REIT. In addition, amortization of land leasehold rights in trust is calculated using the straight-line method over the remaining period of the fixed-term land lease agreement.

d. Investment unit issuance expenses

Investment unit issuance expenses are amortized using the straight-line method over a three-year period.

e. Investment corporation bond issuance costs

Investment corporation bond issuance costs are amortized using the straight-line method over the period up to redemption.

f. Recognition standard for revenues

Details of the main performance obligations related to MFLP-REIT's revenues from contracts with customers and the usual time at which the performance obligations are fulfilled (the usual time at which revenues are recognized) are as follows.

(i) Utilities charges

For utilities charges, revenues are recognized based on the supply of electricity, water, and so forth to the lessee, who is the customer, in accordance with the lease contract for the real estate, etc. and the appended agreement details. Utilities charges are included in "other property-related revenues" in the statements of income and presented in the breakdown of "other property-related revenues" in Note 8. "Property Leasing Business Revenues and Expenses."

g. Taxes on property and equipment

With respect to property taxes, city planning taxes and depreciable asset taxes imposed on real estate properties or trust beneficiary interests in real estate, of the tax amount assessed and determined, the amount corresponding to the relevant fiscal period is accounted for as property-related expenses.

Of the amounts paid for the acquisitions of real estate properties or trust beneficiary interests in real estate, the amount equivalent to property-related taxes is capitalized as part of the acquisition cost of the relevant property instead of being charged as expenses. For the 16th period, capitalized property-related taxes amounted to ¥127,772 thousand. No property-related taxes were capitalized for the 17th period.

h. Trust beneficiary interests in real estate

As to trust beneficiary interests in real estate that have real estate properties as assets in trust, all accounts of assets and liabilities within assets in trust as well as all income generated and expenses incurred from assets in trust are recorded in the relevant balance sheet and statement of income account items.

The following material items of the assets in trust recorded in the relevant account items are separately presented in the accompanying balance sheets.

- (1) Cash and deposits in trust
- (2) Buildings in trust, structures in trust, machinery and equipment in trust, vehicles and transport equipment in trust, tools, furniture and fixtures in trust, land in trust, construction in progress in trust and land leasehold rights in trust
- (3) Tenant leasehold and security deposits in trust

i. Significant accounting estimates

Impairment of non-current assets

(1) Amounts recorded on the accompanying financial statements

(Thousands of yen)

	17th period (As of October 31, 2024)	16th period (As of July 31, 2024)
Property and equipment	¥ 372,354,762	¥ 373,919,887
Intangible assets	2,290,657	2,303,362

(2) Information on the nature of significant accounting estimates for identified items

In accordance with the Accounting Standard for Impairment of Fixed Assets, MFLP-REIT reduces the book value of non-current assets to their recoverable amounts, when the invested amount may not be recoverable due to decrease in profitability.

MFLP-REIT's investment properties are grouped on an individual asset basis. MFLP-REIT reviews the investment properties for impairment when consecutive operating losses, significant decline in the market price, deteriorated business environment and other factors related to investment properties indicate that the carrying amount of an asset may not be recoverable.

Expected future cash flows are used for review for impairment of an asset. When MFLP-REIT determines that it is necessary to recognize an impairment loss, the book value of the asset is reduced to the respective recoverable amount based on the appraisal value estimated by an external real estate appraiser, and the difference between the book value and recoverable amount is recorded as an impairment loss.

Future cash flows are determined by comprehensive judgement on estimates based on market trends on rental revenues, occupancy rates, property-related expenses and other factors as well as transaction information of similar properties.

Operating results and market price of each investment property may be affected by trends in property leasing market and property trading market. It is possible to have impact on MFLP-REIT's financial position and result of operations in the next fiscal period if assumptions used in estimates change.

j. Note related to new accounting standards not yet applied

Accounting Standard for Leases, Etc.

“Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024, ASBJ)

“Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024, ASBJ), Etc.

(1) Details

As part of its efforts for ensuring that Japanese GAAP is consistent with international accounting standards, the ASBJ conducted a review, taking into consideration international accounting standards, toward the development of the Accounting Standard for Leases for recognizing assets and liabilities for all leases held by a lessee. Accordingly, the ASBJ issued the Accounting Standard for Leases, etc., which were developed under a basic policy with the aim of being simple and highly convenient by incorporating only the key provisions of IFRS 16 instead of all the provisions, despite being based on the single accounting model of IFRS 16, while the adjustments are not required basically even when the provisions of IFRS 16 are applied for non-consolidated financial statements.

Regarding the method for allocating the lessee's lease expenses for lessee accounting treatment, a single accounting model is applied for recording the depreciation related to right-of-use assets and the amount equivalent to the interest on lease liabilities for all leases regardless of whether a lease is a finance lease or an operating lease. This is the same as under IFRS 16.

(2) Effective date

The standards and guidance will be effective from the beginning of the fiscal year ending January 31, 2028

(3) Effects of application of the standards and guidance

The effects of application of Accounting Standard for Leases, etc. on the financial statements are currently under evaluation.

3. Cash and Cash Equivalents

Reconciliation between cash and cash equivalents and accounts and amounts in the balance sheets is as follows:

	(Thousands of yen)	
	17th period (From August 1, 2024 to October 31, 2024)	16th period (From February 1, 2024 to July 31, 2024)
Cash and deposits	¥ 887,846	¥ 381,786
Cash and deposits in trust	9,071,842	8,238,051
Cash and cash equivalents	¥ 9,959,688	¥ 8,619,837

4. Financial Instruments

a. Status of financial instruments

(1) Policy for financial instruments

MFLP-REIT procures funds for acquisition of assets or repayment of debts mainly through issuance of investment units, loans or issuance of investment corporation bonds.

MFLP-REIT generally invests surplus funds in deposits considering safety of the investments although surplus funds could be invested in securities and monetary claims as a matter of policy.

MFLP-REIT enters into derivative transactions to a limited extent for the purpose of avoiding the risk of interest rate fluctuation and other risks. MFLP-REIT does not engage in speculative transactions.

(2) Financial instruments, their associated risks and risk management system

Deposits are used for investment of MFLP-REIT's surplus funds, and are exposed to credit risk such as failure of the financial institutions holding the deposits. MFLP-REIT limits the credit risk by restricting the deposit periods to short terms and selecting financial institutions that have high credit ratings.

Proceeds from loans and investment corporation bonds are used mainly to acquire real estate properties or refinance existing loans. While these loans are exposed to liquidity risk at the time of repayment, MFLP-REIT mitigates the liquidity risk by diversifying its means of fund procurement and lending financial institutions, dispersing repayment dates, establishing commitment lines and securing liquidity on hand, and also controls the liquidity risk by preparing monthly fund management plans.

In addition, loans with floating interest rates are exposed to the risk of interest rate rising. MFLP-REIT limits the impact of interest rate rises on its operations by keeping the ratio of interest-bearing debt to total assets at a low level and maintaining the ratio of fixed-rate long-term loans at a high level.

(3) Supplementary explanation regarding fair values of financial instruments

Since variable factors are reflected in estimating the fair value of financial instruments, different assumptions and factors could result in a different value.

b. Estimated fair value of financial instruments

The carrying amounts, fair values and their differences as of October 31, 2024 and July 31, 2024 are as follows. Information on cash and deposits, cash and deposits in trust and short-term loans payable is omitted because the fair value is approximately the same as the book value since these are settled with cash and within a short period of time. Information on tenant leasehold and security deposits in trust is also omitted due to its immateriality.

(Thousands of yen)

17th period (As of October 31, 2024)	Carrying amount	Fair value	Difference
(1) Current portion of long-term loans payable	¥ 5,700,000	¥ 5,653,995	¥ (46,004)
(2) Investment corporation bonds	5,000,000	4,808,800	(191,200)
(3) Long-term loans payable	144,000,000	133,279,463	(10,720,536)
Total liabilities	¥154,700,000	¥143,742,259	¥(10,957,740)

(Thousands of yen)

16th period (As of July 31, 2024)	Carrying amount	Fair value	Difference
(1) Current portion of long-term loans payable	¥ 6,600,000	¥ 6,561,771	¥ (38,228)
(2) Investment corporation bonds	5,000,000	4,778,700	(221,300)
(3) Long-term loans payable	143,100,000	139,106,940	(3,993,059)
Total liabilities	¥154,700,000	¥150,447,412	¥ (4,252,587)

(Note 1) Methods to estimate fair values of financial instruments

(1) Current portion of long-term loans payable and (3) Long-term loans payable

For long-term loans payable with floating interest rates, their book value is used to determine the fair value since they reflect market interest rates in a short period of time and the MFLP-REIT's credit condition has not changed significantly since the loans were executed. The fair value of long-term loans payable with fixed interest rates is determined based on the present value being calculated by discounting the sum of principal and interest by the assumed interest rate which would be applied if a similar new loan were entered into.

(2) Investment corporation bonds

The fair value is determined based on the market price.

(Note 2) Repayment schedule for long-term loans and investment corporation bonds

(Thousands of yen)

17th period (As of October 31, 2024)	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Investment corporation bonds	-	-	-	-	-	¥ 5,000,000
Long-term loans payable	¥ 5,700,000	¥ 10,500,000	¥ 18,800,000	¥ 19,300,000	¥ 15,700,000	¥ 79,700,000
Total	¥ 5,700,000	¥ 10,500,000	¥ 18,800,000	¥ 19,300,000	¥ 15,700,000	¥ 84,700,000

(Thousands of yen)

16th period (As of July 31, 2024)	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Investment corporation bonds	-	-	-	-	-	¥ 5,000,000
Long-term loans payable	¥ 6,600,000	¥ 8,000,000	¥ 15,700,000	¥ 19,500,000	¥ 16,000,000	¥ 83,900,000
Total	¥ 6,600,000	¥ 8,000,000	¥ 15,700,000	¥ 19,500,000	¥ 16,000,000	¥ 88,900,000

5. Investment and Rental Properties

MFLP-REIT owns logistics facilities and industrial properties for the purpose of earning rental income. The carrying amount, net changes in the carrying amount during the periods and fair value of these investment and rental properties are as follows:

(Thousands of yen)

	17th period (From August 1, 2024 to October 31, 2024)	16th period (From February 1, 2024 to July 31, 2024)
Carrying amount		
Balance at beginning of period	¥ 376,214,708	¥ 351,391,206
Changes during the period	(1,589,336)	24,823,502
Balance at end of period	374,625,372	376,214,708
Fair value at the end of the period	¥ 462,060,000	¥ 461,810,000

(Note 1) The carrying amount represents acquisition cost less accumulated depreciation.

(Note 2) Changes in the carrying amount during the 16th period consisted of the increase mainly attributable to acquisition of trust beneficiary interests in real estate for four properties (¥27,767,868 thousand), and the decrease mainly attributable to depreciation (¥3,296,907 thousand). Changes in the carrying amount during the 17th period consisted of the decrease mainly attributable to depreciation (¥1,652,130 thousand).

(Note 3) The fair value at the end of the period represents the appraisal value or surveyed value by external real estate appraisers.

Information about income and loss from investment and rental properties is stated in Note 8. "Property Leasing Business Revenues and Expenses."

6. Net Assets

a. Stated capital

MFLP-REIT issues only non-par value units in accordance with the Investment Trust Act of Japan and all of the issue prices of new units are designated as stated capital. MFLP-REIT maintains at least ¥50,000 thousand as the minimum net assets as required by the Article 67, Paragraph 4 of the Investment Trust Act of Japan.

b. Distributions

Distributions related to the periods but declared after the balance sheet dates are summarized as follows:

(Yen)

	17th period (From August 1, 2024 to October 31, 2024)		16th period (From February 1, 2024 to July 31, 2024)	
	Total	Per unit	Total	Per unit
I. Unappropriated retained earnings	¥ 2,127,050,419		¥ 4,359,700,791	
II. Distributions in excess of retained earnings	¥ 704,672,000		¥ 1,242,752,000	
Allowance for temporary difference adjustments	13,984,000		28,576,000	
Other deduction from unitholders' capital	690,688,000		1,214,176,000	
III. Distributions				
Distribution of earnings	2,126,784,000	¥ 3,498	4,359,360,000	¥ 7,170
Allowance for temporary difference adjustments	13,984,000	23	28,576,000	47
Other distribution in excess of retained earnings	690,688,000	1,136	1,214,176,000	1,997
Total distributions	¥ 2,831,456,000	¥ 4,657	¥ 5,602,112,000	¥ 9,214
IV. Retained earnings carried forward	¥ 266,419		¥ 340,791	

In accordance with the distribution policy as defined in the Article 35, Paragraph 1 of the Articles of Incorporation of MFLP-REIT, distributions shall be in excess of the amount equivalent to 90% of the amount of earnings available for dividends defined in the Article 67-15 of the Act on Special Measures Concerning Taxation.

Based on this policy, for the fiscal periods ended October 31, 2024 and July 31, 2024, MFLP-REIT declared a distribution amount of ¥2,126,784,000 and ¥4,359,360,000, respectively, which are the maximum value of the integral multiple of the total number of investment units issued and outstanding at the end of each period in amounts not in excess of unappropriated retained earnings.

Furthermore, based on the distribution policy as defined in the Article 35, Paragraph 2 of the Articles of Incorporation, MFLP-REIT executes the distribution of cash in excess of retained earnings (return of capital applicable to distribution reducing unitholders' capital for tax purposes) each fiscal period on a continuous basis. Distribution of allowance for temporary difference adjustments is also made, taking into account the impact of the tax discrepancy in excess of income associated with the expenses related to asset retirement obligations and the amortization of fixed-term land leasehold rights in trust on distributions. In addition, in cases where the distribution amount for distributions per unit is expected to temporarily decline by a certain degree, a temporary distribution of cash in excess of retained earnings may be executed for the purpose of maintaining the stability of the distribution level.

Based on this policy, for the fiscal period ended October 31, 2024, of ¥669,408,000, which is calculated as being almost equivalent to the remaining amount after subtracting the distribution of earnings of ¥2,126,784,000 from ¥2,796,341,538 or 74% of FFO (funds from operation), MFLP-REIT declared the distribution of ¥655,424,000 as distribution of cash in excess of retained earnings (return of capital applicable to distribution reducing unitholders' capital for tax purposes), and the distribution of ¥13,984,000, which is almost equivalent to the expenses related to asset retirement obligations and the amortization of fixed-term land leasehold rights in trust for the fiscal period under review, as the tax discrepancy in excess of income (allowance for temporary difference adjustments). In addition, due to a temporary decrease in distribution per unit resulting from expenditures of merger-related expenses during the fiscal period under review, MFLP-REIT decided to distribute ¥35,264,000 as a temporary distribution of cash in excess of retained earnings (return of capital applicable to distribution reducing unitholders' capital for tax purposes).

Based on this policy, for the fiscal period ended July 31, 2024, of ¥1,229,376,000, which is calculated as being almost equivalent to the remaining amount after subtracting the distribution of earnings of ¥4,359,360,000 from ¥5,589,191,958 or 73% of FFO (funds from operation), MFLP-REIT declared the distribution of ¥1,200,800,000 as distribution of cash in excess of retained earnings (return of capital applicable to distribution reducing unitholders' capital for tax purposes), and the distribution of ¥28,576,000, which is almost equivalent to the expenses related to asset retirement obligations and the amortization of fixed-term land leasehold rights in trust for the fiscal period under review, as the tax discrepancy in excess of income (allowance for temporary difference adjustments). In addition, due to a temporary decrease in distribution per unit resulting from expenditures of merger-related expenses during the fiscal period under review, MFLP-REIT decided to distribute ¥13,376,000 as a temporary distribution of cash in excess of retained earnings (return of capital applicable to distribution reducing unitholders' capital for tax purposes).

(Note) MFLP-REIT may execute cash distribution in excess of distributable amount, in an amount it determines within a scope not to exceed the limit stipulated in the rules and requirements imposed by The Investment Trusts Association, Japan, when MFLP-REIT considers it appropriate, given such factors as economic environment, trends in the real estate market or leasing market, the situation surrounding owned assets and the financial condition. In addition, in case that any cash distribution fails to meet the statutory requirements for special tax treatment for investment corporations, MFLP-REIT may execute cash distribution in excess of distributable amount, in an amount it determines to meet the statutory requirements.

c. Reversal of allowance for temporary difference adjustments

Provision and reversal of allowance for temporary difference adjustments

(1) Reason for provision, related assets, etc., and amount provided

Related assets, etc.	Reason for provision of allowance	Allowance for temporary difference adjustments	
		17th period (From August 1, 2024 to October 31, 2024)	16th period (From February 1, 2024 to July 31, 2024)
Buildings in trust and fixed-term land leasehold rights in trust	Occurrence of the expenses related to asset retirement obligations and amortization of land leasehold rights	¥ 13,984	¥ 28,576

For the fiscal period ended October 31, 2024

Related assets, etc.	Reason for provision of allowance	Initial amount	Balance at beginning of period	Amount of provision for the period	Amount of reversal for the period	Balance at end of period	Reason for reversal of allowance
Buildings in trust, fixed-term land leasehold rights in trust	Occurrence of expenses related to asset retirement obligations and amortization of land leasehold rights	¥ 57,408	¥ 28,832	¥ 28,576	-	¥ 57,408	-

For the fiscal period ended July 31, 2024

Related assets, etc.	Reason for provision of allowance	Initial amount	Balance at beginning of period	Amount of provision for the period	Amount of reversal for the period	Balance at end of period	Reason for reversal of allowance
Fixed-term land leasehold rights in trust	Occurrence of amortization of land leasehold rights	¥ 28,832	¥ 6,336	¥ 22,496	-	¥ 28,832	-

(2) Specific method of reversal

For the fiscal period ended October 31, 2024

Item	Method of reversal
Buildings in trust, fixed-term land leasehold rights in trust	The corresponding amount will be reversed at the time of sale, etc.

For the fiscal period ended July 31, 2024

Item	Method of reversal
Fixed-term land leasehold rights in trust	The corresponding amount will be reversed at the time of sale, etc.

7. Short-term and Long-term Loans Payable and Investment Corporation Bonds

Short-term and long-term loans payable mainly consisted of bank borrowings under loan agreements. The following table summarizes the short-term and long-term loans payable and investment corporation bonds as of October 31, 2024 and July 31, 2024.

	(Thousands of yen)			
	17th period (As of October 31, 2024)		16th period (As of July 31, 2024)	
Base rate +0.0350% unsecured short-term loans (Note 2)	¥	5,000,000	¥	500,000
Base rate +0.0500% unsecured short-term loans (Note 2)		-		1,500,000
Total short-term loans payable (Note 1)	¥	5,000,000	¥	2,000,000
0.4213% unsecured long-term loans due 2026	¥	1,500,000	¥	1,500,000
0.3723% unsecured long-term loans due 2030		1,700,000		1,700,000
0.2829% unsecured long-term loans due 2027		1,500,000		1,500,000
0.4168% unsecured long-term loans due 2029		1,500,000		1,500,000
0.3743% unsecured long-term loans due 2028		800,000		800,000
0.6325% unsecured long-term loans due 2031		800,000		800,000
0.3813% unsecured long-term loans due 2029		700,000		700,000
0.5538% unsecured long-term loans due 2031		700,000		700,000
0.5957% unsecured long-term loans due 2031		800,000		800,000
Base rate +0.3300% unsecured long-term loans due 2033 (Note 2)		2,000,000		2,000,000
0.5000% unsecured long-term loans due 2027		500,000		500,000
1.2713% unsecured long-term loans due 2033		400,000		400,000
0.5000% unsecured long-term loans due 2027		500,000		500,000
1.2363% unsecured long-term loans due 2033		500,000		500,000
1.1300% unsecured long-term loans due 2032		1,700,000		1,700,000
1.1450% unsecured long-term loans due 2032		1,000,000		1,000,000
Base rate +0.3300% unsecured long-term loans due 2035 (Note 2)		1,700,000		1,700,000
1.0975% unsecured long-term loans due 2032		1,400,000		1,400,000
0.3813% unsecured long-term loans due 2025		1,500,000		1,500,000
0.1059% unsecured long-term loans due 2025		800,000		800,000
0.1950% unsecured long-term loans due 2026		2,000,000		2,000,000
0.2375% unsecured long-term loans due 2027		1,200,000		1,200,000
0.5875% unsecured long-term loans due 2027		500,000		500,000
0.5313% unsecured long-term loans due 2027		2,000,000		2,000,000
0.6225% unsecured long-term loans due 2028		1,200,000		1,200,000
0.6288% unsecured long-term loans due 2028		1,500,000		1,500,000
0.6088% unsecured long-term loans due 2028		800,000		800,000
0.2113% unsecured long-term loans due 2024		-		1,700,000
0.4895% unsecured long-term loans due 2027		900,000		900,000
0.3687% unsecured long-term loans due 2028		2,000,000		2,000,000
0.4942% unsecured long-term loans due 2030		1,200,000		1,200,000
0.4707% unsecured long-term loans due 2030		1,000,000		1,000,000
0.6325% unsecured long-term loans due 2031		1,600,000		1,600,000
0.5813% unsecured long-term loans due 2032		1,200,000		1,200,000
0.7488% unsecured long-term loans due 2032		400,000		400,000
1.2713% unsecured long-term loans due 2033		500,000		500,000
1.3238% unsecured long-term loans due 2034		1,200,000		1,200,000
1.2888% unsecured long-term loans due 2034		800,000		800,000
Base rate +0.2500% unsecured long-term loans due 2034 (Note 2)		1,700,000		-
0.2313% unsecured long-term loans due 2026		500,000		500,000
0.2385% unsecured long-term loans due 2027		800,000		800,000

	17th period (As of October 31, 2024)	16th period (As of July 31, 2024)
0.4272% unsecured long-term loans due 2030	800,000	800,000
0.2829% unsecured long-term loans due 2027	1,300,000	1,300,000
0.4168% unsecured long-term loans due 2029	1,200,000	1,200,000
0.3743% unsecured long-term loans due 2028	500,000	500,000
0.4408% unsecured long-term loans due 2029	500,000	500,000
0.2025% unsecured long-term loans due 2026	300,000	300,000
0.2975% unsecured long-term loans due 2026	500,000	500,000
0.5375% unsecured long-term loans due 2027	300,000	300,000
0.6300% unsecured long-term loans due 2028	1,000,000	1,000,000
0.6725% unsecured long-term loans due 2028	2,200,000	2,200,000
0.5213% unsecured long-term loans due 2027	1,200,000	1,200,000
0.5225% unsecured long-term loans due 2027	800,000	800,000
0.3425% unsecured long-term loans due 2024	-	700,000
0.4942% unsecured long-term loans due 2030	500,000	500,000
0.3255% unsecured long-term loans due 2028	2,000,000	2,000,000
0.5957% unsecured long-term loans due 2031	300,000	300,000
1.2713% unsecured long-term loans due 2033	500,000	500,000
1.2363% unsecured long-term loans due 2033	500,000	500,000
1.1163% unsecured long-term loans due 2033	300,000	300,000
Base rate +0.2250% unsecured long-term loans due 2033 (Note 2)	500,000	500,000
Base rate +0.2250% unsecured long-term loans due 2033 (Note 2)	600,000	600,000
Base rate +0.2500% unsecured long-term loans due 2034 (Note 2)	700,000	-
0.3125% unsecured long-term loans due 2026	2,100,000	2,100,000
0.4851% unsecured long-term loans due 2029	1,000,000	1,000,000
0.3563% unsecured long-term loans due 2025	400,000	400,000
0.3988% unsecured long-term loans due 2029	2,000,000	2,000,000
0.4942% unsecured long-term loans due 2030	1,800,000	1,800,000
0.3255% unsecured long-term loans due 2028	2,000,000	2,000,000
0.5813% unsecured long-term loans due 2032	1,200,000	1,200,000
1.0175% unsecured long-term loans due 2030	500,000	500,000
Base rate +0.2000% unsecured long-term loans due 2032 (Note 2)	1,000,000	1,000,000
Base rate +0.2250% unsecured long-term loans due 2033 (Note 2)	1,300,000	1,300,000
0.3125% unsecured long-term loans due 2026	1,000,000	1,000,000
0.5813% unsecured long-term loans due 2032	1,200,000	1,200,000
0.6455% unsecured long-term loans due 2031	500,000	500,000
1.2713% unsecured long-term loans due 2033	500,000	500,000
0.2313% unsecured long-term loans due 2026	1,000,000	1,000,000
0.3360% unsecured long-term loans due 2028	1,000,000	1,000,000
0.3255% unsecured long-term loans due 2028	1,500,000	1,500,000
0.3464% unsecured long-term loans due 2028	1,000,000	1,000,000
0.5263% unsecured long-term loans due 2031	1,200,000	1,200,000
0.4988% unsecured long-term loans due 2029	500,000	500,000
0.9663% unsecured long-term loans due 2030	500,000	500,000
0.9350% unsecured long-term loans due 2031	600,000	600,000
1.2275% unsecured long-term loans due 2033	1,000,000	1,000,000
1.1950% unsecured long-term loans due 2033	500,000	500,000
0.3319% unsecured long-term loans due 2024	-	600,000
0.2313% unsecured long-term loans due 2026	600,000	600,000
0.3723% unsecured long-term loans due 2030	900,000	900,000

	17th period (As of October 31, 2024)	16th period (As of July 31, 2024)
0.5377% unsecured long-term loans due 2030	1,000,000	1,000,000
0.7140% unsecured long-term loans due 2032	800,000	800,000
0.5538% unsecured long-term loans due 2031	800,000	800,000
1.2713% unsecured long-term loans due 2033	500,000	500,000
1.2419% unsecured long-term loans due 2033	1,000,000	1,000,000
1.1913% unsecured long-term loans due 2033	600,000	-
0.3563% unsecured long-term loans due 2025	600,000	600,000
0.2087% unsecured long-term loans due 2025	600,000	600,000
0.1836% unsecured long-term loans due 2027	800,000	800,000
0.2629% unsecured long-term loans due 2027	1,000,000	1,000,000
0.3813% unsecured long-term loans due 2029	800,000	800,000
0.1863% unsecured long-term loans due 2025	1,800,000	1,800,000
0.3809% unsecured long-term loans due 2029	1,600,000	1,600,000
0.4168% unsecured long-term loans due 2029	2,000,000	2,000,000
0.5937% unsecured long-term loans due 2030	1,200,000	1,200,000
0.5263% unsecured long-term loans due 2031	1,200,000	1,200,000
1.2265% unsecured long-term loans due 2032	500,000	500,000
1.1438% unsecured long-term loans due 2031	2,000,000	2,000,000
1.0975% unsecured long-term loans due 2032	1,500,000	1,500,000
0.3975% unsecured long-term loans due 2026	1,000,000	1,000,000
0.2182% unsecured long-term loans due 2028	800,000	800,000
0.5813% unsecured long-term loans due 2032	1,200,000	1,200,000
1.2713% unsecured long-term loans due 2033	500,000	500,000
0.2313% unsecured long-term loans due 2026	1,000,000	1,000,000
0.1836% unsecured long-term loans due 2027	500,000	500,000
0.3464% unsecured long-term loans due 2028	1,000,000	1,000,000
0.3813% unsecured long-term loans due 2029	500,000	500,000
1.0175% unsecured long-term loans due 2030	400,000	400,000
0.9563% unsecured long-term loans due 2031	1,000,000	1,000,000
0.3809% unsecured long-term loans due 2029	800,000	800,000
0.4168% unsecured long-term loans due 2029	1,000,000	1,000,000
0.5937% unsecured long-term loans due 2030	1,000,000	1,000,000
0.5538% unsecured long-term loans due 2031	800,000	800,000
1.2713% unsecured long-term loans due 2033	500,000	500,000
1.1950% unsecured long-term loans due 2033	1,200,000	1,200,000
0.3723% unsecured long-term loans due 2030	900,000	900,000
0.5377% unsecured long-term loans due 2030	1,000,000	1,000,000
0.6325% unsecured long-term loans due 2031	800,000	800,000
0.5377% unsecured long-term loans due 2030	1,000,000	1,000,000
0.5538% unsecured long-term loans due 2031	800,000	800,000
0.2829% unsecured long-term loans due 2027	1,000,000	1,000,000
0.3813% unsecured long-term loans due 2029	800,000	800,000
0.2829% unsecured long-term loans due 2027	1,000,000	1,000,000
1.0175% unsecured long-term loans due 2030	400,000	400,000
1.1300% unsecured long-term loans due 2032	1,000,000	1,000,000
0.3305% unsecured long-term loans due 2027	1,000,000	1,000,000
0.5538% unsecured long-term loans due 2031	800,000	800,000
0.3305% unsecured long-term loans due 2027	1,000,000	1,000,000
0.3813% unsecured long-term loans due 2029	800,000	800,000
0.9663% unsecured long-term loans due 2030	400,000	400,000
0.9888% unsecured long-term loans due 2031	1,000,000	1,000,000
0.4707% unsecured long-term loans due 2030	500,000	500,000

	17th period (As of October 31, 2024)		16th period (As of July 31, 2024)	
1.2265% unsecured long-term loans due 2032		400,000		400,000
0.5538% unsecured long-term loans due 2031		1,400,000		1,400,000
Base rate +0.2375% unsecured long-term loans due 2033 (Note 2)		1,500,000		1,500,000
Base rate +0.2125% unsecured long-term loans due 2032 (Note 2)		500,000		500,000
0.5538% unsecured long-term loans due 2031		1,000,000		1,000,000
1.2265% unsecured long-term loans due 2032		400,000		400,000
0.5538% unsecured long-term loans due 2031		1,000,000		1,000,000
1.0175% unsecured long-term loans due 2030		400,000		400,000
0.9888% unsecured long-term loans due 2031		500,000		500,000
0.5813% unsecured long-term loans due 2032		1,000,000		1,000,000
Base rate +0.2500% unsecured long-term loans due 2034 (Note 2)		1,000,000		1,000,000
0.5813% unsecured long-term loans due 2032		1,000,000		1,000,000
0.9663% unsecured long-term loans due 2030		400,000		400,000
1.2756% unsecured long-term loans due 2033		700,000		700,000
0.9663% unsecured long-term loans due 2030		300,000		300,000
1.2713% unsecured long-term loans due 2033		200,000		200,000
1.0175% unsecured long-term loans due 2030		500,000		500,000
Base rate +0.2125% unsecured long-term loans due 2032 (Note 2)		1,000,000		1,000,000
Base rate +0.2125% unsecured long-term loans due 2032 (Note 2)		500,000		500,000
Total long-term loans payable	¥	149,700,000	¥	149,700,000
0.5000% unsecured bonds due 2031	¥	3,000,000	¥	3,000,000
0.8200% unsecured bonds due 2032		2,000,000		2,000,000
Total bonds	¥	5,000,000	¥	5,000,000

(Note 1) For short-term borrowings, the most recent borrowing interest rates for each contract are rounded to the fourth decimal place. Additionally, the borrowing date and repayment deadline reflect the most recent borrowing date and repayment deadline.

(Note 2) The base rate is JBA 3-month yen TIBOR published by JBA TIBOR Administration as of two business days prior to the drawdown date and the beginning date of the interest calculation period. The JBA 3-month yen TIBOR is also used as a base rate in the case that the interest calculation period is less than three months. Please refer to the JBA TIBOR Administration website (<https://www.jbatibor.or.jp/rate/>) (in Japanese) for JBA yen TIBOR. The base rate applied as of October 31, 2024 was 0.4482%.

The repayment schedule for loans and bonds is disclosed in Note 4. “Financial Instruments.”

MFLP-REIT had the commitment line contracts with two banks as of October 31, 2024 and July 31, 2024.

	17th period (As of October 31, 2024)		16th period (As of July 31, 2024)	
Total amount of commitment line contracts	¥	8,000,000	¥	8,000,000
Loans executed		-		-
Unused line of credit	¥	8,000,000	¥	8,000,000

8. Property Leasing Business Revenues and Expenses

The following table summarizes the revenues and expenses generated from the property leasing business for the fiscal periods ended October 31, 2024 and July 31, 2024.

(Thousands of yen)

	17th period (From August 1, 2024 to October 31, 2024)		16th period (From February 1, 2024 to July 31, 2024)	
A. Property leasing business revenues				
Property-related revenues				
Rental revenues	¥	5,677,172	¥	11,253,769
Common area charges		283,704		566,247
Total	¥	5,960,877	¥	11,820,017
Other property-related revenues				
Utilities charges	¥	399,653	¥	478,280
Parking lots		27,701		55,169
Others		110,240		59,943
Total	¥	537,595	¥	593,392
Total property leasing business revenues	¥	6,498,472	¥	12,413,410
B. Property leasing business expenses				
Property-related expenses				
Outsourcing service expenses	¥	412,396	¥	789,220
Utilities expenses		374,886		480,688
Repair expenses		137,256		180,438
Land rent		49,540		99,081
Taxes and dues		579,457		1,167,132
Depreciation and amortization		1,652,130		3,296,907
Others		90,205		188,971
Total property leasing business expenses	¥	3,295,873	¥	6,202,441
C. Operating income from property leasing [A-B]	¥	3,202,598	¥	6,210,968

9. Income Taxes

MFLP-REIT is subject to Japanese corporate income taxes on its taxable income. The tax effects of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities as of October 31, 2024 and July 31, 2024 are as follows:

(Thousands of yen)

	17th period (As of October 31, 2024)		16th period (As of July 31, 2024)	
Deferred tax assets:				
Accrued enterprise tax	¥	12	¥	17
Amortization of land leasehold rights in trust		21,307		17,310
Asset retirement obligations		1,525		1,015
Subtotal	¥	22,845	¥	18,344
Valuation allowance		(22,833)		(18,326)
Total deferred tax assets	¥	12	¥	17
Net deferred tax assets	¥	12	¥	17

Reconciliations between the Japanese statutory tax rate and the effective income tax rate with respect to pre-tax income reflected in the accompanying statements of income for the fiscal periods ended October 31, 2024 and July 31, 2024 are as follows:

	17th period (As of October 31, 2024)	16th period (As of July 31, 2024)
Statutory tax rate	31.46%	31.46%
Adjustments:		
Deductible distributions	(31.45)	(31.45)
Other	0.02	0.01
Effective income tax rate after application of tax-effect accounting	0.03%	0.02%

10. Per Unit Information

The following table summarizes per unit information for the fiscal periods ended October 31, 2024 and July 31, 2024.

	17th period (From August 1, 2024 to October 31, 2024)	16th period (From February 1, 2024 to July 31, 2024)
Earnings per unit:		
Net income per unit (yen)	¥ 874	¥ 1,792
Weighted average number of units outstanding (unit)	2,432,000	608,000

	17th period (As of October 31, 2024)	16th period (As of July 31, 2024)
Net assets per unit (yen)	¥ 87,687	¥ 89,116

Net income per unit is calculated by dividing net income by the daily weighted average number of investment units outstanding during the period. Diluted net income per unit is not stated because there are no dilutive investment units.

MFLP-REIT split one investment unit into four investment units with October 31, 2024 as the record date and November 1, 2024 as the effective date. Net assets per share and net income per share are calculated based on the assumption that the Split of Investment Units had been implemented at the beginning of the 17th period. Net assets per share and net income per share for the 16th period, which were calculated based on the assumption that the Split of Investment Units had been implemented at the beginning of the 16th period, were ¥89,116 and ¥1,792, respectively.

11. Leases

The future minimum rental revenues from tenants subsequent to October 31, 2024 and July 31, 2024 under non-cancelable operating leases of properties are as follows:

	(Thousands of yen)	
	17th period (As of October 31, 2024)	16th period (As of July 31, 2024)
Due within one year	¥ 19,980,077	¥ 19,925,449
Due after one year	64,025,202	63,206,953
Total	¥ 84,005,280	¥ 83,132,402

12. Transactions with Related Parties

There are no significant transactions and balances with related parties for the fiscal periods ended October 31, 2024 and July 31, 2024.

13. Segment and Related Information

For the fiscal periods ended October 31, 2024 and July 31, 2024

a. Segment information

Segment information has been omitted as MFLP-REIT engages in a single segment of the property leasing business.

b. Related information

(1) Information by product and service

Disclosure of this information has been omitted as revenues from external customers in a single product and service category exceed 90% of the total operating revenues on the statements of income.

(2) Information by geographical area

(i) Operating revenues

Disclosure of this information has been omitted as revenues from external customers in Japan exceed 90% of the total operating revenues on the statements of income.

(ii) Property and equipment

Disclosure of this information has been omitted as the amount of property and equipment located in Japan exceeds 90% of the total amount of property and equipment on the balance sheets.

(3) Information on major tenant

Disclosure of this information has been omitted because there is no tenant whose operating revenues make up 10% or more of total operating revenues.

14. Revenue Recognition

For the fiscal periods ended October 31, 2024 and July 31, 2024

Information on disaggregation of revenues from contracts with customers

For information on disaggregation of revenues from contracts with customers, please refer to Note 8. "Property Leasing Business Revenues and Expenses."

Note that revenues based on ASBJ Statement No. 13 "Accounting Standard for Lease Transactions" are included in the table of revenues and expenses generated from the property leasing business in Note 8. "Property Leasing Business Revenues and Expenses." Revenues from contracts with customers are primarily "utilities charges."

15. Asset Retirement Obligations

MFLP-REIT recognizes asset retirement obligations associated with restoration obligations upon expiration of the fixed-term land lease agreements with landowners.

MFLP-REIT estimates the usage period of applicable assets to be the useful life of buildings in trust (57 years), and uses 2.31% discount rate for the calculation of asset retirement obligations. Changes in asset retirement obligations for the fiscal periods ended October 31, 2024 and July 31, 2024 are as follows.

	(Thousands of yen)	
	17th period (As of October 31, 2024)	16th period (As of July 31, 2024)
Balance at beginning of the period	¥ 158,717	-
Increase due to acquisitions of investment property and equipment	-	¥ 156,902
Accretion expense	917	1,814
Balance at end of the period	¥ 159,635	¥ 158,717

16. Significant Subsequent Events

a. Merger of MFLP-REIT and ADL

MFLP-REIT conducted an absorption-type merger, with November 1, 2024 as the effective date, whereby MFLP-REIT is the surviving corporation, and ADL is the dissolving corporation (“the Merger”).

(1) Purpose of the Merger

The Merger was conducted because each REIT reached the common understanding that the Merger has the following rationales: (1) Expanded asset size to elevate market presence; (2) Better stability resulting from advances in portfolio diversification; and (3) Dual sponsorship structure with comprehensive developer and general trading company, and is the best measure to contribute to the growth of unitholder value in respect of each of MFLP-REIT and ADL.

(2) Form of the Merger

MFLP-REIT was the surviving corporation under an absorption-type merger (*kyushu gappei*) and ADL was dissolved in the Merger.

(3) Merger ratio

For the purpose of providing at least one MFLP-REIT investment unit to all ADL unitholders, MFLP-REIT split its investment units at a ratio of four investment units per one investment unit with a record date of October 31, 2024 and an effective date of November 1, 2024, prior to the allotments to ADL unitholders (the Split of Investment Units. Please refer to the following b. Split of investment units for more details). ADL unitholders were allotted 1.168 MFLP-REIT investment units for each ADL investment unit.

(4) Payment upon the Merger

Instead of cash distributions to the unitholders of ADL for ADL’s final fiscal period ended on the day immediately prior to the effective date of the Merger, MFLP-REIT commences making a cash distribution of ¥940 on January 21, 2025 to the unitholders listed or recorded on the final unitholders register of ADL as of the day immediately prior to the effective date of the Merger (excluding the unitholders of ADL who have demanded the purchase of their investment units pursuant to the provisions of Article 149-3 of the Investment Trust Act (excluding unitholders who have withdrawn such demand for purchase)) (the “Allotted Unitholders”), of which amount is equivalent to the cash distributions for the fiscal period (the payment will be the amount of distributable profit of ADL as of the day immediately prior to the effective date of the Merger divided by the number of investment units that is obtained by deducting (a) the number of investment units held by the unitholders other than the Allotted Unitholders from (b) the number of investment units issued and outstanding of ADL, as of the day immediately prior to the effective date of the Merger (such calculated amount being rounded down to the nearest whole yen)).

(5) Total unitholders’ capital and capital surplus

The amount of the total unitholders’ capital and the capital surplus of MFLP-REIT increased upon the Merger is as follows:

Unitholders’ capital: ¥0

Capital surplus: The amount obtained by deducting the amount of the unitholders’ capital from the amount of increase or decrease in the unitholders’ equity, etc., set forth in Article 22, Paragraph 1 of the Ordinance on Accountings of Investment Corporations (Cabinet Office Ordinance No. 47 of 2006, as amended)

b. Split of investment units

MFLP-REIT split one investment unit into four investment units with October 31, 2024 as the record date and November 1, 2024 as the effective date.

(1) Purpose of the split

The Merger was conducted by way of an absorption-type merger with MFLP-REIT as the surviving corporation, and the merger ratio before considering the Split of Investment Units would be MFLP-REIT 1: ADL 0.292, resulting in a large number of ADL unitholders that would receive MFLP-REIT investment units of less than one unit. For this reason, in order to enable the ADL unitholders to continue to hold MFLP-REIT investment units after the Merger, MFLP-REIT decided to split its investment units at a ratio of four investment units per one investment unit, for the purpose of providing at least one MFLP-REIT investment unit to all ADL unitholders.

(2) Method of the Split of Investment Units

MFLP-REIT split one investment unit held by unitholders listed or recorded on the final unitholders register of MFLP-REIT with October 31, 2024 as the record date, the day immediately prior to the effective date of the Merger, into four investment units.

- (3) Number of investment units increased by the Split of Investment Units
- (i) Total number of investment units issued and outstanding before the Split of Investment Units: 608,000 units
 - (ii) Number of investment units increased by the Split of Investment Units: 1,824,000 units
 - (iii) Total number of investment units issued and outstanding after the Split of Investment Units: 2,432,000 units
 - (iv) Total number of MFLP-REIT investment units issued and outstanding after the Merger: 3,219,699 units (Note 1)
 - (v) Total number of authorized investment units after the Split of Investment Units and the Merger: 32,000,000 units (Note 2)

(Note 1) In connection with the Merger, 1.168 MFLP-REIT investment units following the Split of Investment Units were allocated to every ADL investment unit with respect to all outstanding ADL investment units as of October 31, 2024 (674,400 units).

(Note 2) In connection with the Split of Investment Units, the Articles of Incorporation of MFLP-REIT was partially amended, and the total number of authorized investment units was changed as of November 1, 2024.

Please refer to “Per Unit Information” for the per unit information based on the assumption that the Split of Investment Units had been implemented at the beginning of the 16th period.

c. Acquisitions of properties

ADL concluded an agreement for sale and purchase of trust beneficiary interest on August 5, 2024 with the seller of each of the following assets. Based on the agreements, which were assumed by MFLP-REIT as a result of the Merger, MFLP-REIT acquired the real estate trust beneficiary interests for i Missions Park Atsugi 2, i Missions Park Kazo and i Missions Park Yoshikawa-Minami on November 1, 2024 (three properties, total acquisition price of ¥10,763 million).

Category	Property no.	Property name	Location	Acquisition price (millions of yen) (Note 1)	Acquisition date
Logistics facilities	Li-14	i Missions Park Atsugi 2	Isehara-shi, Kanagawa	4,712	November 1, 2024
	Li-15	i Missions Park Kazo	Kazo-shi, Saitama	3,031	November 1, 2024
	Li-16	i Missions Park Yoshikawa-Minami (Note 2)	Yoshikawa-shi, Saitama	3,019 (Quasi co-ownership 50%)	November 1, 2024

(Note 1) “Acquisition price” is the purchase price of each trust beneficiary interest as set forth in each agreement for sale and purchase of trust beneficiary interests for the acquired assets (excluding consumption tax and local consumption tax or the various costs required in the acquisition), rounded down to the nearest million yen.

(Note 2) For “i Missions Park Yoshikawa-Minami,” the acquisition price is the prorated figure equivalent to the quasi co-ownership in the property acquired by MFLP-REIT (50%).

d. Borrowing of funds

MFLP-REIT has borrowed the following funds to apply to part of the acquisition funds and related expenses for the real estate trust beneficiary interests in the above “c. Acquisitions of properties” and to repayments of the existing long-term loans assumed from ADL.

- (1) Short-term loans payable

Lender	Borrowing amount (millions of yen)	Interest rate	Drawdown date	Repayment date	Repayment method	Collateral
The Bank of Fukuoka, Ltd.	1,000	Base rate +0.05% (Note)	November 1, 2024	February 3, 2025	Bullet repayment	Unsecured Non-guaranteed
Total borrowing amount	1,000	—	—	—	—	—

(Note) The interest payment date is the repayment date. The base rate is JBA 3-month yen TIBOR published by JBA TIBOR Administration as of two business days prior to the drawdown date. Please refer to the JBA TIBOR Administration website (<https://www.jbatibor.or.jp/rate/>) (in Japanese) for JBA yen TIBOR.

(2) Long-term loans payable

Lender	Borrowing amount (millions of yen)	Interest rate	Drawdown date	Repayment date (Note 6)	Repayment method	Collateral
Sumitomo Mitsui Trust Bank, Limited	1,000	0.8050% (Note 2)	November 1, 2024	November 1, 2028	Bullet repayment	Unsecured Non-guaranteed
Daishi Hokuetsu Bank, Ltd. (Sustainability Linked Loan) (Note 1)	1,000	1.0688% (Notes 2, 3)	November 1, 2024	November 4, 2031	Bullet repayment	Unsecured Non-guaranteed
Sumitomo Mitsui Banking Corporation (Sustainability Linked Loan) (Note 1)	1,600	1.1888% (Notes 2, 4)	November 1, 2024	November 1, 2032	Bullet repayment	Unsecured Non-guaranteed
The Joyo Bank, Ltd. (Sustainability Linked Loan) (Note 1)	500					
The Hyakugo Bank, Ltd.	500					
Shinkin Central Bank (Sustainability Linked Loan) (Note 1)	1,000	Base rate +0.20% (Notes 4, 5)			Bullet repayment	Unsecured Non-guaranteed
Sumitomo Mitsui Banking Corporation (Sustainability Linked Loan) (Note 1)	1,500	1.2763% (Notes 2, 4)	November 1, 2024	November 1, 2033	Bullet repayment	Unsecured Non-guaranteed
The Yamagata Bank, Ltd. (Sustainability Linked Loan) (Note 1)	1,000	Base rate +0.225% (Notes 4, 5)			Bullet repayment	Unsecured Non-guaranteed
The 77 Bank, Ltd. (Sustainability Linked Loan) (Note 1)	700				Bullet repayment	Unsecured Non-guaranteed
Mizuho Bank, Ltd. (Sustainability Linked Loan) (Note 1)	1,200	1.3688% (Notes 2, 4)	November 1, 2024	November 1, 2034	Bullet repayment	Unsecured Non-guaranteed
The Yamaguchi Bank, Ltd. (Sustainability Linked Loan) (Note 1)	1,000				Bullet repayment	Unsecured Non-guaranteed
SBI Shinsei Bank, Limited (Sustainability Linked Loan) (Note 1)	1,000				Base rate +0.25% (Notes 4, 5)	Bullet repayment
Total borrowing amount	12,000	—	—	—	—	—

- (Note 1) Since the borrowing is planned to be financed by a Sustainability Linked Loan, the interest rate from the timing of the determination to the repayment date will change according to the achievement status of the Sustainability Performance Target (“SPT”) as described in (Note 3) and (Note 4).
- (Note 2) Interest rate is fixed until the repayment date. The first interest payment date is the last day of January 2025, and thereafter the interest payment date will be the last day of January and July until and including the repayment date. (If each interest payment date is not a business day, such interest payment date shall be on the next business day. Provided, however, that such interest payment date shall be on the preceding business day if such next business day falls into the next month.)
- (Note 3) SPT: 90% reduction of CO2 emission intensity in logistics facilities (Scope 1 and 2) as of the end of 2027 compared to 2016
Applicable period: From the beginning of the first interest calculation period that falls after the end of July 2028 until the principal repayment date
- (i) If emissions intensity is reduced by 90% (Achievement of SPT): Initial interest rate - 0.02%
 - (ii) If the emissions intensity increases compared to 2016 (SPT Not Achieved): Initial interest rate + 0.02%
- If neither (i) nor (ii) applies (SPT Not Achieved): Initial interest rate
- (Note 4) SPT: 100% reduction of CO2 emission intensity in logistics facilities (Scope 1 and 2) as of the end of 2030 compared to 2016
Applicable period: From the beginning of the first interest calculation period that falls after the end of July 2031 until the principal repayment date
- (i) If emissions intensity is reduced by 100% (Achievement of SPT): Initial interest rate - 0.02%
 - (ii) If the emissions intensity increases compared to 2016 (SPT Not Achieved): Initial interest rate + 0.02%
- If neither (i) nor (ii) applies (SPT Not Achieved): Initial interest rate
- (Note 5) The base rate is JBA 3-month yen TIBOR published by JBA TIBOR Administration as of two business days prior to the drawdown date and the beginning date of the interest calculation period. The JBA 3-month yen TIBOR is also used as a base rate in the case that the interest calculation period is less than three months. The first interest payment date is the last day of January 2025, and thereafter the interest payment date will be the last day of January, April, July and October until and including the repayment date. (If each interest payment date is not a business day, such interest payment date shall be on the next business day. Provided, however, that such interest payment date shall be on the preceding business day if such next business day falls into the next month.) Please refer to the JBA TIBOR Administration website (<https://www.jbatibor.or.jp/rate/>) (in Japanese) for JBA yen TIBOR.
- (Note 6) If each repayment date is not a business day, such repayment date shall be on the next business day. Provided, however, that such repayment date shall be on the preceding business day if such next business day falls into the next month.

Reference Information

Absorption-type company split by the Asset Management Company

Concurrently with the Merger, the Asset Management Company concluded an absorption-type company split agreement on August 5, 2024 with ITOCHU REIT Management Co., Ltd. (“IRM”), the asset management company to which ADL entrusts its asset management, and conducted the absorption-type company split (the “Company Split”) on November 1, 2024, which was after the end of the fiscal period.

As a result of the Merger and the Company Split, IRM became a shareholder of the Asset Management Company (holding 23% of the voting rights). The Asset Management Company has been entrusted by MFLP-REIT (MFLP-REIT after the Merger between MFLP-REIT and ADL) to manage assets.



Independent auditor's report

To the Board of Directors of Mitsui Fudosan Logistics Park Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Mitsui Fudosan Logistics Park Inc. (“the Company”), which comprise the balance sheets as at October 31, 2024 and July 31, 2024, the statements of income, statements of changes in net assets and statements of cash flows for the three months period then ended October 31, 2024 and the six months period then ended July 31, 2024, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2024 and July 31, 2024, and its financial performance and cash flows for the three months period then ended October 31, 2024 and the six months period then ended July 31, 2024 in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 16 to the financial statements, which states the Company conducted the Merger, with November 1 2024 as the effective date, with Advance Logistics Investment Corporation. Additionally, the Company acquired properties and borrowed funds. Our opinion is not modified in respect of this matter.

Other Information

The other information comprises the information included in the Asset Management Report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the preparation and presentation of the other information. Supervisory directors are responsible for overseeing the director's performance of his duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Supervisory Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Supervisory directors are responsible for overseeing the executive director's performance of his duties with regard to the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures

that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the executive director regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the executive director with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with him all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit provided to the Company for the three-month period from August 1, 2024 to October 31, 2024 are 15 million yen, and there are no fees paid or payable for non-audit services.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/S/ Jiro Tazawa

Designated Engagement Partner

Certified Public Accountant

/S/ Masashi Gake

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

January 28, 2025

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.